

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SSO-00 INRE-00 NSCE-00 USIE-00

CIAE-00 DODE-00 PM-03 H-01 INR-07 L-02 NSAE-00 NSC-05

PA-01 PRS-01 SP-02 SS-15 SAJ-01 ACDA-05 MC-02 TRSE-00

EB-07 COME-00 OMB-01 IO-10 /076 W

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O R 181505Z FEB 75

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC IMMEDIATE 5254

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY STOCKHOLM

USMISSION NATO

C O N F I D E N T I A L THE HAGUE 0804

E.O. 11652: GDS

TAGS: MASS, NL, BE, NO, DA

SUBJECT: F-104 REPLACEMENT

REF: THE HAGUE 780 (NOTAL)

1. MFA HAS GIVEN US DRAFT LIST OF QUESTIONS WHICH FOUR NATION CONSORTIUM WILL WANT ANSWERED BY US DURING WASHINGTON VISIT FEB. 24. LIST WAS DRAWN UP BY STAFFS AFTER FEB 17 MEETING OF FOUR DEFMINs IN BRUSSELS, AND ACCORDING TO MISS BUZEMAN OF MFA, MUST STILL RECEIVE MINISTERIAL APPROVAL. SHE EXPECTS APPROVAL OF QUESTIONS FEB. 19 OR 20.

2. DUTCH DELEGATION WILL PROBABLY CONSIST OF GENERAL STOKLA PLUS TWO OTHERS FROM AIR FORCE, WILLEM VAN EEKELEN, DIRECTOR NATO AFFAIRS IN FONMIN, AND W.A.M. MELIS, MINISTRY OF ECONOMIC AFFAIRS. DELEGATION MAY BE SUPPLEMENTED BY
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SOMEONE FROM FINANCE MINISTRY, BUT THIS NOT CERTAIN.

AFTER WASHINGTON VISIT, SIMILAR VISITS WILL BE MADE TO PARIS, POSSIBLY LATER IN WEEK OF FEB. 24 OR FOLLOWING WEEK, AND TO STOCKHOLM. GON CONTINUES CONSIDER F-16 AND MIRAGE AS ONLY VIABLE CHOICES. MISS BUZEMAN POINTED OUT IN THIS REGARD THAT, WHILE QUESTIONS DEVELOPED FOR US AND FRANCE YESTERDAY, STAFFS DID NOT FEEL SAME SENSE OF URGENCY IN CASE OF SWEDEN, AND WOULD DRAW UP LIST TODAY OR TOMORROW.

3. QUESTIONS TO US GOVERNMENT FOLLOW:

(A) PRICES. WILL YOU GUARANTEE TO THE FOUR COUNTRIES THAT THE "NOT TO EXCEED" PRICE WILL BE MAINTAINED UNDER THE FOLLOWING CIRCUMSTANCES:

(1) IN CASE OF SERIOUS FINANCIAL DIFFICULTIES FOR THE PRIME CONTRACTORS.

(2) IN CASE THE USAF TOTAL BUY WILL BE LESS THAN 650 A/C.

(3) IN CASE THAT THE FOUR COUNTRIES BUY WILL BE LESS THAN 348 A/C.

(4) IN CASE OF DELAYS IN THE PRESENTLY FORESEEN DELIVERY SCHEDULE.

(5) IN CASE OF INCREASES IN THE EXPECTED PRICES FOR THE RADAR AND GFAE.

(B) COMPETITIVENESS.

(1) AS A COMMITTEE OF ARBITRATION WOULD BE EMPOWERED, ON A CASE BY CASE BASIS, TO SETTLE ANY DISPUTES WHICH MAY ARISE REGARDING THE TERM "REASONABLY COMPETITIVE", WHAT WOULD BE THE INSTRUCTIONS AND POWERS OF THIS COMMITTEE?

(2) IN A CASE WHERE, AS A RESULT OF THIS "REASONABLY COMPETITIVENESS" THE CO-PRODUCTION PERCENTAGES FORESEEN (40 - 10 -15 PERCENT) WERE TO BE DISPUTED, HOW WILL THE US GOVERNMENT PROPOSE TO ATTAIN THE GUARANTEED LEVELS OF CO-PRODUCTION OF 58 PERCENT FOR 1000 AIRCRAFT AND OF 80 PERCENT FOR 1500 AIRCRAFT?

(3) IS THE US GOVERNMENT PREPARED TO CONTINUE CO-PRODUCTION ON THE SAME BASIS BEYOND THE 100 PERCENT COMPENSATION WITHOUT ANY RESTRICTIONS FOR THE THE AIRCRAFT TO BE PROVIDED FOR THE USAF AND THIRD COUNTRIES?

(4) IS THE US GOVERNMENT PREPARED TO CHARGE
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TO ALL THIRD COUNTRIES A STANDARD PRICE BASED ON A EUROPEAN CO-PRODUCTION OF 15 PERCENT OF THESE AIRCRAFT?

(C) UNCERTAINTY WITH REGARD TO THE RATE OF EXCHANGE OF THE DOLLAR AND THE PRICE ESCALATION.

(1) IN VIEW OF THE FACT THAT THERE IS NO CEILING IN THE PRICE ESCALATION IN THE US OFFER, WHAT IS THE FORECAST OF THE US GOVERNMENT WITH REGARD TO THE PRICE ESCALATION IN THE AERONAUTICAL SECTOR.

(2) TO WHAT EXTENT IS THE US GOVERNMENT WILLING TO PERMIT THAT THE CONTRACT BE CONCLUDED IN THE NATIONAL CURRENCIES OF THE FOUR COUNTRIES OR TO ACCEPT ANY OTHER FORMULAE TO LIMIT THE MONETARY RISKS.

(D) PROGRAM MANAGEMENT. IS THE US GOVERNMENT PREPARED TO HAVE THE FOUR COUNTRIES PARTICIPATE IN ALL DECISIONS WHICH MIGHT RESULT IN AN INCREASE IN THE "NOT TO EXCEED" PRICE? IS THE US GOVERNMENT WILLING TO ACCEPT THAT THE FOUR COUNTRIES IN CASE OF NO ACCEPTANCE-- WILL NOT HAVE TO BEAR ANY FINANCIAL CONSEQUENCES. GOULD

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